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ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

2009 SEP -8 14:30

COMMISSIONERS

KRISTIN K. MAYES, Chairman
 GARY PIERCE
 PAUL NEWMAN
 SANDRA D. KENNEDY
 BOB STUMP

IN THE MATTER OF THE APPLICATION
 OF JOHNSON UTILITIES, LLC, DBA
 JOHNSON UTILITIES COMPANY FOR AN
 INCREASE IN ITS WATER AND
 WASTEWATER RATES FOR CUSTOMERS
 WITHIN PINAL COUNTY, ARIZONA.

DOCKET NO. WS-02987A-08-0180

JOHNSON UTILITIES, LLC'S
 NOTICE OF FILING
 SUPPLEMENTAL REJOINDER
 TESTIMONY

Johnson Utilities, LLC hereby files its Supplemental Rejoinder Testimony of Brian
 P. Tompsett.

RESPECTFULLY SUBMITTED this 8th day of September, 2009.

SNELL & WILMER L.L.P.

Arizona Corporation Commission

DOCKETED

SEP -8 2009

DOCKETED BY

By

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ORIGINAL and 13 copies filed this
 8th day of September, 2009, with:

1 Docket Control
2 ARIZONA CORPORATION COMMISSION
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4 Phoenix, Arizona 85004

5 COPIES of the foregoing hand-delivered this
6 8th day of September, 2009, to:

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9 ARIZONA CORPORATION COMMISSION
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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
3 COMMISSIONERS

4 KRISTIN K. MAYES, Chairman
5 GARY PIERCE
6 PAUL NEWMAN
7 SANDRA D. KENNEDY
8 BOB STUMP

9 IN THE MATTER OF THE APPLICATION
10 OF JOHNSON UTILITIES, L.L.C., DBA
11 JOHNSON UTILITIES COMPANY, FOR AN
12 INCREASE IN ITS WATER AND WASTE-
13 WATER RATES FOR CUSTOMERS
14 WITHIN PINAL COUNTY, ARIZONA.

DOCKET NO. WS-02987A-08-0180

15 **PRE-FILED SUPPLEMENTAL REJOINDER TESTIMONY OF BRIAN**
16 **TOMPSETT**

17 **ON BEHALF OF**

18 **JOHNSON UTILITIES, L.L.C., DBA JOHNSON UTILITIES COMPANY**

19
20 **SEPTEMBER 8, 2009**
21
22
23
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1 **I. INTRODUCTION.**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Brian Tompsett. My business address is 5230 East Shea Boulevard,
4 Scottsdale, Arizona, 85254.

5 **Q. MR. TOMPSETT, BY WHOM ARE YOU EMPLOYED AND IN WHAT**
6 **CAPACITY?**

7 A. I am the Executive Vice President of Johnson Utilities, L.L.C., doing business as
8 Johnson Utilities Company ("Johnson Utilities" or the "Company").

9 **Q. HAVE YOU PREVIOUSLY PRE-FILED TESTIMONY IN THIS DOCKET**
10 **OR IN ANY OTHER COMMISSION DOCKET?**

11 A. Yes. On March 9, 2009, I pre-filed Rebuttal Testimony and on March 23, 2009, I
12 pre-filed Supplemental Rebuttal Testimony. On April 16, 2009, I pre-filed
13 Rejoinder Testimony.

14 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL REJOINDER**
15 **TESTIMONY IN THIS PROCEEDING?**

16 A. The purpose of my rejoinder testimony is to address the Second Supplemental
17 Surrebuttal Testimony of Jeffrey M. Michlik dated July 28, 2009 (the "Michlik
18 Second Supplemental Surrebuttal Testimony").

19 **Q. HAVE YOU READ THE MICHLIK SECOND SUPPLEMENTAL**
20 **SURREBUTTAL TESTIMONY?**

21 A. Yes.

22 **Q. AT PAGE 1, LINES 16-17, MR. MICHLIK TESTIFIES THAT STAFF**
23 **WOULD LIKE JOHNSON UTILITIES TO RECOVER APPLICABLE**
24 **CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT**
25 **("CAGRD") ASSESSMENTS FROM ITS CUSTOMERS USING AN**
26 **ADJUSTER AS OPPOSED TO A PASS-THROUGH. DOES THE**

**COMPANY OBJECT TO AN ADJUSTER TO RECOVER CAGR
ASSESSMENTS AS OPPOSED TO A PASS-THROUGH?**

A. No. Johnson Utilities does not object to recovering the CAGR assessments through an adjuster as opposed to a pass-through so long as the Company can recover applicable CAGR assessments from its residential customers.

Q. AT PAGE 2, LINE 14, THROUGH PAGE 3, LINE 9, MR. MICHLIK DESCRIBES STAFF'S RECOMMENDED METHODOLOGY FOR CALCULATING AND COLLECTING THE CAGR ASSESSMENTS. DOES JOHNSON UTILITIES AGREE WITH STAFF'S PROPOSED METHODOLOGY?

A. Yes. As stated in Mr. Michlik's Second Supplemental Surrebuttal Testimony, Staff recommends utilizing the methodology proposed by Johnson Utilities in Mr. Bourassa's Direct Testimony, but with one exception. The exception is that Staff recommends that the Company calculate the adjuster separately for the Phoenix Active Management Area ("AMA") and the Pinal AMA because the CAGR assessment rates for the two AMAs are different. I assume that this means that the Company would calculate one CAGR adjuster for residential customers residing in the Phoenix AMA and a separate adjuster for customers residing in the Pinal AMA. Johnson Utilities has no objection to using separate adjusters for the Phoenix AMA and the Pinal AMA.

Q. AT PAGE 4 OF THE MICHLIK SECOND SUPPLEMENTAL SURREBUTTAL TESTIMONY, MR. MICHLIK LISTS 9 CONDITIONS WITH REGARD TO THE RECOMMENDED CAGR ADJUSTER. DOES JOHNSON UTILITIES HAVE ANY CONCERNS OR COMMENTS REGARDING ANY OF THE RECOMMENDATIONS?

A. Yes. My comments are as follows:

1 1. With regard to Staff's revised recommendation 1, Staff is
2 recommending that Johnson Utilities submit 2008 data to Staff by August 25,
3 2009. However, the date for submission of the data has already passed. In
4 addition, Mr. Michlik refers to Condition 6 of Staff's recommendations, which
5 appears to be an error. I believe he intended to refer to Condition 7.

6 2. Johnson Utilities does not oppose Staff recommendation 2.

7 3. Staff recommendation 3 states that "[t]he only time the Company
8 can withdraw money from the CAGR D account to pay the annual CAGR D fee to
9 CAGR D, which is due on October 15th of each year." However, Johnson Utilities
10 has legitimate concerns that this recommendation lacks sufficient flexibility to
11 allow for changes in CAGR D's payment policies and other policies with regard to
12 the use of CAGR D monies. Johnson Utilities believes that it should be permitted
13 to withdraw funds from the CAGR D account as necessary to comply with any and
14 all conditions of membership in the CAGR D, as those conditions exist now or as
15 they may be modified in the future.

16 4. Staff recommendation 4 would require that Johnson Utilities
17 "provide to Staff a semi-annual report of the CAGR D Account and CAGR D use
18 fees collected from customers and paid to the CAGR D" even though the Company
19 makes only a single annual report to the CAGR D. The Company believes that a
20 single annual report provided to the Commission at the same time the report is
21 provided to CAGR D should be sufficient for Staff to validate the accounting for
22 CAGR D monies collected and remitted. Compliance with filing requirements
23 adds costs which are ultimately borne by the Company's rate payers. The
24 imposition of a second filing requirement in the year would not serve any
25 important regulatory objective.
26

1 5. Staff recommendation 5 would require that Johnson Utilities provide
2 to Staff, on even numbered years, the new firm rates set by the CAGRDR for the
3 following two years. However, this information is publicly available on the
4 CAGRDR's website, and is easily accessible by Staff with a minimum of effort.
5 The Company believes that it would be more efficient for Staff to obtain this
6 information directly from CAGRDR, rather than have the Company act as a go-
7 between to communicate the information. As I testified above, compliance with
8 regulatory conditions adds costs which are ultimately borne by the Company's rate
9 payers. Thus, regulatory conditions should not be casually imposed, but only as
10 necessary to achieve important regulatory objectives.

11 6. Johnson Utilities agrees with the methodology for calculating the
12 CAGRDR adjuster as set forth in Staff's revised recommendation 6.

13 7. Staff's revised recommendation 7 requires that by August 25th of
14 each year, Johnson Utilities "submit for Commission consideration its proposed
15 CAGRDR adjuster fee for the Phoenix and Pinal AMAs, along with calculations
16 and documentation from the relevant state agencies to support the data used in the
17 calculations." The recommendation further states that "Commission-approved
18 fees shall become effective on the following October 1st." However, in order to
19 better correlate the collection of monies from customers with the date that the
20 CAGRDR assessments are due, Johnson Utilities proposes that the Company submit
21 its proposed CAGRDR adjuster by March 31 of each year (as opposed to August
22 25), and that the new fees go into effect on the following May 1 (as opposed to
23 October 1). Thus, the first adjuster fee with supporting calculations and
24 documentation would be due on or before March 31, 2010, and the initial adjuster
25 fee would go into effect on May 1, 2010. This, of course, assumes that new rates
26 have been approved for the Company by May 1, 2010.

1 In addition, the Company believes that this recommendation requires some
2 additional clarification by Staff regarding what is intended by the words
3 "Commission consideration" of the proposed adjuster and "Commission-
4 approved" fees. CAGRDR assessment rates are set by the CAGRDR. A copy of the
5 current rate schedule is attached hereto as Exhibit JU SR-1. Staff has proposed a
6 methodology for calculating an adjuster to recover the CAGRDR assessments from
7 residential customers, and the Commission may certainly verify that Johnson
8 Utilities has correctly calculated the CAGRDR adjuster. However, to the extent that
9 Staff's recommendation 7 may be interpreted as permitting the Commission to
10 disallow a properly calculated adjuster based upon the approved methodology,
11 then the Company objects to such recommendation.

12 8. Staff recommendation 8 provides that Johnson Utilities cease
13 collection of CAGRDR fees from its customers if the CAGRDR changes its current
14 method of assessing fees. However, the loss of the ability to recover CAGRDR
15 assessments from residential customers would have a substantial and material
16 impact on the Company's expenses and revenues. Johnson Utilities believes that
17 the termination of the CAGRDR adjuster need not be automatic. In the unlikely
18 event that CAGRDR changes the way in which it currently assesses fees, Johnson
19 Utilities would work with Staff to modify the proposed adjuster in an equitable
20 manner consistent with the new CAGRDR assessment methodology.

21 9. Johnson Utilities does not oppose Staff's new recommendation 9.

22 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL REJOINDER**
23 **TESTIMONY?**

24 **A.** Yes.
25
26

JU SR-1

**CENTRAL ARIZONA
GROUNDWATER REPLENISHMENT DISTRICT
FINAL 2008/09 AND 2009/10 RATE SCHEDULE**

ASSESSMENT RATES

Units = \$/acre-foot

	Historic 2007/08	Firm 2008/09	Firm 2009/10	Advisory			
				2010/11	2011/12	2012/13	2013/14
<u>Phoenix Active Management Area</u>							
Water & Replenishment Component ¹	\$ 112	\$ 134	\$ 143	\$ 154	\$ 157	\$ 162	\$ 166
Administrative Component ²	28	33	33	31	29	27	25
Infrastructure & Water Rights Component ³	79	90	101	112	115	118	122
Replenishment Reserve Charge ⁴	21	33	41	49	57	60	63
Total Assessment Rate (\$/AF)	\$ 240	\$ 290	\$ 318	\$ 346	\$ 358	\$ 367	\$ 376
<u>Pinal Active Management Area</u>							
Water & Replenishment Component ¹	\$ 87	\$ 100	\$ 107	\$ 117	\$ 117	\$ 125	\$ 134
Administrative Component ²	28	33	33	31	29	27	25
Infrastructure & Water Rights Component ³	79	90	101	112	115	118	122
Replenishment Reserve Charge ⁴	25	31	38	45	51	54	56
Total Assessment Rate (\$/AF)	\$ 219	\$ 254	\$ 279	\$ 305	\$ 312	\$ 324	\$ 337
<u>Tucson Active Management Area</u>							
Water & Replenishment Component ¹	\$ 133	\$ 143	\$ 153	\$ 164	\$ 161	\$ 168	\$ 177
Administrative Component ²	28	33	33	31	29	27	25
Infrastructure & Water Rights Component ³	79	90	101	112	115	118	122
Replenishment Reserve Charge ⁴	25	39	46	54	61	65	67
Total Assessment Rate (\$/AF)	\$ 265	\$ 305	\$ 333	\$ 361	\$ 366	\$ 378	\$ 391
<u>Contract Replenishment Tax - Scottsdale ⁵</u>							
Cost of Water	\$ 108	\$ 112	\$ 126	\$ 133	\$ 139	\$ 136	\$ 144
Cost of Transportation	0	0	0	0	0	0	0
Cost of Replenishment	0	0	0	0	0	0	0
Administrative Component ²	28	33	33	31	29	27	25
Total Tax Rate (\$/AF)	\$ 136	\$ 145	\$ 159	\$ 164	\$ 168	\$ 163	\$ 169

ENROLLMENT & ACTIVATION FEES

Units = \$/Housing Unit

Enrollment Fee ⁶	\$ 23	\$ 74	\$ 83	\$ 92	\$ 94	\$ 96	\$ 100
Activation Fee ⁶	\$ 63	\$ 72	\$ 81	\$ 90	\$ 92	\$ 94	\$ 98

**CENTRAL ARIZONA
GROUNDWATER REPLENISHMENT DISTRICT
FINAL 2008/09 AND 2009/10 RATE SCHEDULE**

NOTES:

- 1 The Water & Replenishment Component includes the projected cost to purchase and recharge water and effluent. For rate development purposes it was assumed that the replenishment of effluent would have the same cost as Excess CAP water recharged at a CAP state demonstration recharge project. The total volume to be purchased and replenished includes the replenishment obligation plus a sufficient volume to offset losses incurred during the replenishment process (generally 1% to 2.5%). For the Phoenix Active Management Area (AMA), replenishment will be accomplished at direct underground storage facilities (USFs) and groundwater savings facilities (GSFs). For the Pinal AMA, replenishment will be accomplished at GSFs. For the Tucson AMA, replenishment will be accomplished at USFs.
- 2 The Administrative Component is designed to cover all CAGRD administrative costs. \$2/AF has been added to this component to help fund the CAGRD conservation program.
- 3 The Infrastructure & Water Rights Component was established to provide funds to (1) purchase long-term rights to water as opportunities arise, and (2) construct additional infrastructure facilities as the need arises in the future.
- 4 The Replenishment Reserve Charge is based on a program to establish a replenishment reserve of long-term storage credits as required by statutes. Excess CAP water will be purchased at the CAP Incentive Recharge rate and stored at a combination of USFs and GSFs in the Phoenix and Tucson AMAs. In the Pinal AMA, credits will be purchased from CAP at the incentive recharge rate in accordance with Board policy adopted on October 6, 2005. This charge will be levied as provided in ARS Sections 48-3774.01 and 48-3780.01.
- 5 The components of the Contract Replenishment Tax - Scottsdale reflect the provisions in the Water Availability Status Contract to Replenish Groundwater Between CAWCD and Scottsdale. The rates reflect the assumption that Excess CAP water will be available to meet the associated contract replenishment obligations.
- 6 The Enrollment Fee and Activation Fee reflect the fees established pursuant to the CAGRD Enrollment Fee and Activation Fee Policy adopted by the Board on May 1, 2008. \$2 per housing unit is included in the enrollment fee to help fund CAGRD's conservation program.